

UPDATE ON THE STRATEGIC SERVICE DELIVERY PARTNERSHIP

Report By: Environment Support Manager

Wards Affected

County-wide

Purpose

1. To provide the Strategic Monitoring Committee with a further update on the status of the Herefordshire Strategic Service Delivery Partnership between the Council, Amey Wye Valley Limited and Owen Williams Limited.

Financial Implications

2. Not applicable.

Background

3. At its meeting on 22 October 2007, the Strategic Monitoring Committee received a report on the status of the Strategic Service Delivery Partnership. This report was an annual report that had previously been presented to Cabinet on 11 October. Given an issue, notified in advance, over the availability of key staff to prepare reporting materials, this was the most up to date information on the partnership operations that could be presented at that particular meeting.
4. Following discussion, the Committee requested that a report be submitted to the next meeting (19 November) on the transitional arrangements following the purchase of the major part of Herefordshire Jarvis Services by Amey plc, commenting on the maintenance of continuity of services during the transition and including Amey plc's assessment of the programme of works for the remainder of 2007/08, its view of the commitments it contains and whether resources are in place to meet those commitments and deliver the programme, and providing a baseline on standards of service provision against which future performance can be assessed. The Committee also requested that representatives of local and national management of Amey plc be invited to attend the next meeting, together with representatives of Owen Williams Ltd.

The transitional arrangements

5. The transitional arrangements relate to the change in ownership whereby Somerford Equipment Limited recently sold its interest in Herefordshire Jarvis Services Limited (HJS) to Amey Infrastructure Services Limited. Somerford Equipment Limited had become the vehicle for Jarvis plc's ownership position in HJS following the sale in

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December 2006 of Prismo Road Markings Limited. The transaction included the sale to Amey of all of Somerford's 800 "A" shares of £1 each, the assignment to Amey of the intercompany debt owing from HJS to Somerford on its own account and as agent for other companies owned by Jarvis plc, and the novation from Somerford to Amey of the Management Agreement between Somerford and HJS dated September 1 2003. The consideration was £3.55 million, paid in cash and subject to a working capital adjustment.

6. The transaction was formally completed after close of business on Friday 31 August and the corresponding Stock Exchange announcement was made on the morning of Monday 3 September. Following the transaction it was announced that the new company would be named Amey Wye Valley Limited (AWVL).
7. The principal agreements underpinning the ownership structure and operational arrangements for AWVL were novated substantially unaffected by the change of ownership and so remain in force. These agreements include the Articles of Association, the Management Agreement, the Shareholders Agreement and the Service Delivery Agreement. The services delivered by AWVL therefore continue to include: routine highway maintenance, programmed highways works, grounds maintenance, street cleansing, toilet cleansing, recycling, street lighting, courier, printing, vehicle maintenance, signage, building maintenance, building cleaning and event catering.

Continuity of service delivery

8. The Committee asked for this report to cover the question of continuity of services during the transition. In headline terms there has been full service continuity with no interruption to services of any kind during the ownership transition period.
9. A number of reasons have contributed to this successful transition with no service interruptions. First, the relatively protracted timescale over which the transaction with Amey was negotiated allowed plenty of time for detailed planning to ensure service continuity. Second, there were no changes to the management or operational staff at local level who are key to front line service delivery. Third, the business continued to operate from the same premises and so no service disruption through relocation was involved. Fourth, continuity of ICT systems was preserved during the transition with the planned migration to the Amey ICT infrastructure only taking place after the transfer, and in a phased manner. Fifth, the changeover of vehicles and other plant was planned effectively and following expectations that the transaction would be completed on Friday 31 August, arrangements were put in hand for the replacement of Herefordshire Jarvis Services vehicles and other plant on the preceding day with new equipment bearing the logo and strap line of Amey plc.
10. A further significant factor in the successful transition was the continuity of supply chain arrangements. Whilst the transaction had been subject to the normal commercial confidentiality considerations until its formal announcement, inevitably the supply chain had become aware during the summer of an impending ownership change and this was largely welcomed, in view of the payment problems experienced by many suppliers under the Jarvis stewardship of the business. It can be said therefore that many suppliers were positioned to react favourably to the change and were therefore able to contribute positively to a successful transition without any loss of service.
11. Following the immediate ownership transition, work is in hand to secure the detailed integration of the HJS business into Amey Infrastructure Services Limited including

all necessary changes to policies, procedures, management systems, quality systems etc. An integration plan has been prepared and is being executed under the supervision of a project manager. It will be possible to give an update on progress at the 19 November meeting.

12. In summary the absence of any interruption to service delivery reflects a significant amount of planning effort undertaken by the local management team that operated the former HJS business. Other than visible changes to equipment, where the replacement plant was new, the transition has been essentially seamless. This could by no means have been assured and so reflects extremely positively on the transition planning undertaken by the local management team.
13. A further particularly positive feature of the transition of ownership has been the relatively rapid rate at which creditors to whom monies were overdue under the previous ownership arrangements have been paid, with some £1.75 million of outstanding debt having been cleared during the first five weeks following the changeover. Local small businesses have been prioritised in allocating the disbursements.

Amey plc's assessment of the programme of works

14. Amey plc's assessment of the programme of works for the remainder of 2007/08 is that the highways programme is achievable, even though a significant volume of additional engineering and construction work over and above that contained in the original joined-up programme for 2007/08 is being ordered following the flood damage of July 2007. With the change in ownership to Amey plc, it has been possible to mobilise additional Amey group resources to Herefordshire to accommodate the increased programme. Due to the financial position of the then parent company, this would have been impossible under the previous ownership. Whilst the timetable remains challenging, particularly in respect of work being conducted under the Bellwin scheme of emergency financial assistance, the view is that the necessary resources are in place to meet those commitments and to deliver the programme, and that it therefore is possible. Progress is being actively managed in conjunction with senior client-side management staff.
15. There are similarly no concerns in respect of the programmes of works in the other areas covered by the service delivery agreement. In the majority of cases these programmes consist either of continuing to conduct routine operations in accordance with the specifications set out in the service delivery agreement and its schedules, or of continuing to provide ad-hoc services in response to individual work orders from council client officers.
16. The Council is in detailed discussions with Amey concerning some potential significant adjustments to the service delivery model for highways works, with the intention of identifying and securing cost savings. Progress on this issue will be presented at the Strategic Monitoring Committee meeting on 19 November at which national and local representatives of the management of Amey plc and Owen Williams Limited will be present, as requested by the Committee at their 22 October meeting.

Baseline of service provision standards

17. The Committee also requested a baseline on the standards of service provision against which future performance can be assessed. In this context, the most recent performance indicator information for the partnership is shown at Annex 1. This

illustrates the current performance against the key indicators on quality, time predictability, cost, safety and environment used by the Partnership Project Management Team to monitor performance. The data shown here form part of a time series of routine performance reporting and therefore serve to offer a baseline for the measurement of future improvements.

RECOMMENDATION

THAT the report be noted, subject to any comments which the Committee wishes to make.

Background Papers

- None

Annex 1

Ref.	Target Indicator	Description	Area	Lead partner	Frequency	UoM	Perf end of year 2006/07	Target 2007/08 (provisional for new indicators)	Perf Sept 07
Quality PIs									
01	BV 69	Satisfaction with cleanliness standards, from user satisfaction survey	All	HC/AWV	Annually	%	66%	-	
02	BV 165	Pedestrian crossings with disabled facilities	Highways	All	Monthly	%	92%	100%	92%
03	BV 215a	Rectification of street lighting faults	Highways	HC/AWV	Monthly	Days	8.87	5	8.43
04	BV 224a	Condition of non-principal classified roads	Highways	HC/AWV	Annually	%	21%	19%	(Annual)
05	BV 224b	Condition of unclassified roads	Highways	HC/AWV	Annually	%	24.3%	19%	(Annual)
06	JUP amendments - Highways	Number of JUP amendments made in period as % of total number of jobs in highways baseline JUP	Highways	All	Monthly	%		<5%	3%
07	JUP amendments - Property	Number of JUP amendments made in period as % of total number of jobs in property baseline JUP	Property	All	Monthly	%		<10%	0%
08	Project satisfaction checklist	Customer satisfaction level with random selection of (10) jobs	All	All	Monthly	%		>85%	90%
09	Satisfaction with the quality of work of the partnership	Key 1 from previous indicator set	Highways on AWV	HC	Quarterly	No.	7.09	7.50	7.96
			Highways on OW	HC	Quarterly	No.	7.75	8.5	ND
			Property on AWV	HC	Quarterly	No.	6.69	6.5	7.0
			Property on OW	HC	Quarterly	No.	6.25	6.5	ND
			AWV on Highways	AWV	Quarterly	No.	7.59	8.5	8.1
			AWV on Property	AWV	Quarterly	No.	6.68	7	6.8
			AWV on OW	AWV	Quarterly	No.	8.37	8.5	ND
			OW on Highways	OW	Quarterly	No.	7.54	8	5.9
			OW on Property	OW	Quarterly	No.	7.4	7	ND
			OW on AWV	OW	Quarterly	No.	7.9	7	ND
010	Value of works in dispute	Deduction on monthly payment certificate for HC payment to AWV	All	HC/AWV	Monthly	£M	£0.24M	<£0.25M	£0.485M
Time Predictability PIs									
T1	JUP Time Predictability Indicator - Highways	% of programmed highways jobs in JUP delivered on time compared with programmed delivery dates	Highways	All	Monthly	%		>90%	26%
T2	JUP Time Predictability Indicator - Property	% of programmed property jobs in JUP delivered on time compared with programmed delivery dates	Property	All	Monthly	%		>90%	ND
T3	Category 1 defects	% of category 1 defects made safe or repaired within the agreed response time	Highways	AWV/HC	Monthly	%		100%	7.89% (note: performance reflects incorrect inputs and closures - training is being provided)
T4	Emergency response	% of out of hours responses within agreed timescale	Highways	AWV/HC	Monthly	%		100%	ND Data collection system still in development

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Cost PIs

C1	JUP Cost Predictability Indicator - Highways	% of programmed highways jobs in JUP delivered on budget	Highways	HC/AWV	Monthly	%		90%	1%
C2	JUP Cost Predictability Indicator - Property	% of programmed property jobs in JUP delivered on budget	Property	HC/AWV	Monthly	%		90%	ND
C3	Profitability	% of monthly profit target	All	AWV	Monthly	%		100.0%	12% (Note: shortfall due to one-off mobilisation costs)
C4	Profitability	Staff Utilisation Factor	All	OW	Monthly	%		81.7%	72.61%

Safety PIs

S1	Accident Frequency Rate - AWV	AFR rolling year RIDDOR reportable accidents per 100,000 hours worked	All	AWV	Monthly	No.		<0.25	0.79
S2	Accident Incident Rate - OW	Accident incidence rate as reportable personal injuries per 100 people employed	All	OW	Monthly	%		<1%	0%
S3	Accident Frequency Rate - HC	AFR rolling year RIDDOR reportable accidents per 100,000 hours worked	All	HC	Monthly	No.		0	0
S4	Lost days rate - AWV	Total days lost through accident/incident as % of total days available	All	AWV	Monthly	%		0%	0%
S5	Lost days rate - OW	Total days lost through accident/sickness as % of total days	All	OW	Monthly	%		<5.5%	0.1%
S6	Lost days rate - HC	Total days lost through accident/incident as % of total days available	All	HC	Monthly	%		0%	0%
S7	Winter services	No of personal injury collisions on routes identified for gritting with road surface conditions of snow/ice	Highways	AWV/HC	Annually	No.		0	(Annual)
S8	BV 99 a i	Number of casualties All KSI	Highways	All	Monthly	No.	119	134	84
	BV 99 b i	Number of casualties Children KSI	Highways	All	Monthly	No.	10	15	10
	BV 99 c i	Number of casualties All Slight Injuries	Highways	All	Monthly	No.	663	788	464

Environmental PIs

E1	BV 199a	Local street and environmental cleanliness - litter and detritus	All	HC/AWV	Quarterly	%	17%	15%	16%
E2	BV 199 b	Local street and environmental cleanliness - graffiti	All	HC/AWV	Quarterly	%	2%	2%	1%
E3	BV 199 c	Local street and environmental cleanliness - flyposting	All	HC/AWV	Quarterly	%	1%	1%	0%
E4	BV 199d	Local street and environmental cleanliness - flytipping	All	HC/AWV	Quarterly	%	1%	1%	3%
E5	Sustainable wood	Percentage of wood used from legal and sustainable sources	All	HC/AWV	Monthly	%		85%	66%
E6	Recycled aggregate	Amount of recyclable aggregate as % of total aggregate used	Highways	HC/AWV	Annually	%		30%	(Annual)
E7	Transport fossil fuel	Reduce by 5%p.a. volume of transport fossil fuels as proportion of AWV annual turnover	All	AWV	Quarterly	litres / £million turnover		11,300	17,579 (estimate)